

2005 Annual Pay and Benefits Study

Summary Information

March 3, 2005

Background

The Compensation Philosophy adopted by City Council on November 25, 2003 serves as the foundation for the City's pay policies and practices, including the principles that guide periodic review of the pay plan. The primary tool used to analyze the City's Pay Plan is an annual pay study. Salary and benefits information is gathered from local, regional, state and national salary surveys that include both public and private organizations. The results are evaluated to identify comparative pay practices that are used to maintain and administer a competitive City compensation program. The competitiveness of the City's compensation program is determined by the proximity of City of Lynchburg pay practices to average practices in market organizations.

Methodology

During the fall of 2004 through January 2005, information about average actual pay, pay range parameters and benefits in market organizations was collected for 69 benchmark positions. The collected data for the benchmarks, a group of positions common to most organizations, was compared to both City pay range minimums and actual City employee pay. Benefits information was compared to the City benefit program. While in the past our analysis used a 3-year average, this year we collected market data for all sworn public safety positions and one-third of the non-public safety positions. The survey covered about 550 employees, almost half of the full time workforce. Over a three year period, all positions will be reviewed.

The market data, coupled with information on recruiting and retention difficulties, is used to determine if the current grade and range is appropriate for the specific position. As a general guide, positions with a pay range minimum less than 95% of the average minimum in the market are targeted for review. In addition, positions with adverse conditions such as high turnover and/or recruiting difficulty are identified for further scrutiny. Adjustments to grade and/or actual pay may be made dependent upon available resources and alignment with organization goals.

Analysis of the competitiveness of actual employee pay was completed by combining the 2005 benchmark data with aged market data from the 2004 study to create a basis for comparison. By combining the new information and aged data, we are able to present on-going compensation trends. Following review, recommendations for FY06 implementation are developed.

Results

- Overall benchmark position pay range minimums are at 97.57% of average minimums in the market
- Overall average actual pay for City employees is 92.79% of the market average actual pay (note: comparisons made by combining benchmark market data and aged market data for all other positions)
- Overall, the actual pay of City employees is 19.7% above the minimum of the assigned ranges, or near the upper end of the first quartile of the pay ranges.
- Citywide voluntary turnover for calendar year 2004 was 5.7% and total turnover was 9.8%.
- 80% of those resigning in 2004 had seven or fewer years of service.

- In general, City departments attract adequate qualified candidates when vacant positions are advertised.
- 25 organizations responded to the benefits portion of the survey, outlining the costs of medical coverage as well as paid time off policies.

Conclusions

- The pay range minimums for the majority of the benchmark positions are within 5% of the average market minimum
 - Efforts to set pay range minimums at 5% of the average pay range minimum have been very successful and ensure that the City's pay structure is competitive with the market, attracting qualified candidates for selection.
 - 18 of the benchmark positions are assigned to ranges with a minimum that is more than 5% below the market minimum
- Average actual pay has declined compared to the average market pay
 - The CPI for 2004 equaled 2.7% while overall City salary adjustments were 2% or less
 - Annual salary increases in the labor market averaged 3-4%
 - Lack of resources makes it impossible in most cases to move employee pay through the pay ranges at the same pace, or more quickly, than individual pay in the market is increasing. The City continues to be faced with the difficulty of maintaining separation among employee pay when market conditions indicate that the pay range minimum be increased.
 - 41% of City employees have five or fewer years of service, therefore average pay at the end of the first quartile of the pay ranges may not be significantly low.
 - While pay ranges are competitive ensuring effective recruitment, it is critical to maintain actual pay that is also competitive with the labor market to ensure adequate retention of a trained, qualified workforce.
- Turnover is at acceptable levels compared to industry average of 10%
 - Functional, voluntary turnover brings new ideas and practices to the workforce
 - 69% of employees resigning in 2004 had 4 or fewer years of service
 - Opportunity, pay, family circumstances, and relocation are the primary reasons cited among those leaving the City
- On average, 25 (ranging from 1 to 143) applications are received for advertised City positions, indicating adequate recruitment and selection opportunities
 - Civil Engineers, Custodians and Public Works Associates have been challenging positions to fill over the past year for a variety of internal and external reasons.
- The benefits package continues to be very competitive with other public organizations and somewhat more generous than private sector companies. See attachments for response summaries.

Challenges to Long Term Workforce Planning

- Increasing cost of dependent medical/dental coverage
- Volume of retirements on the horizon
- Actual salary competitiveness
- Recruitment effectiveness as general economy and labor market improves
- Lack of medical coverage contributions in retirement
- Impact of increasing benefits costs to organization compared to available resources
- GASB requirement to appropriate "Other Post Employment Benefits" (OPEB) liability, i.e., the future cost of providing retiree medical and dental coverage.

Recommendations

- **Structure Adjustments**

- No overall structure adjustment is needed
- Move 21 positions to new grades/ranges and ensure that all employee pay is at the new minimum
 - Adjust pay of incumbents in the general fund to the new minimums at a cost of \$27,000, including benefits
 - Adjust pay of incumbents in the enterprise funds to the new minimums at a cost of \$30,000 including benefits

- **Pay Banding**

- Continue the efforts to reduce job classifications by establishing pay bands for financial services positions
- Establish two pay bands, each with 4 zones: Technical Financial and Professional Financial, eliminating 29 position titles.
- Adjust the pay of 28 (of a total 67) incumbents to the new minimums of the zones at an approximate cost of \$85,000

- **DRAFT - Individual Pay Adjustments Options:**

(Leadership Team focus group is developing recommendations)

1. Award no salary increases
2. Award 1% general wage increase to all employees with Acceptable or higher performance ratings and use \$500,000 of non-recurring resources for one time performance awards to employees with commendable or exceptional performance based on pre-determined departmental plans.
3. Award 1% general wage increase and 1% one time bonuses to all employees with Acceptable or higher performance ratings
4. Use a salary increase matrix with performance rating and position in the pay range as variables to award salary increases based on annual evaluation.

MEDICAL COST COMPARISON						
2004-2005 Plan Year						
Annual Pay and Benefits Study						
City of Lynchburg Human Resources Department						
	Employee Only Coverage			Family Coverage		
	Employee	Employer	Total	Employee	Employer	Total
Survey Respondent	Cost	Cost	Cost	Cost	Cost	Cost
Lynchburg	\$0	\$245	\$245	\$284	\$245	\$529
Campbell Co Utility Service Autho	0	285	285	281	583	864
Winchester	0	368	368	433	412	845
Blue Ridge Regional Jail	0	317	317	495	361	856
Amherst Town	0	311	311	529	311	840
Presbyterian Home	0	344	344	688	343	1,031
Fredericksburg	10	270	280	169	620	789
Bedford Co	10	319	329	405	403	808
Henrico Co	16	287	303	413	103	516
Martinsville	19	212	231	551	212	763
Bedford City	26	351	377	438	350	788
Staunton	30	274	304	270	566	836
CVTC	32	302	334	113	790	903
VDOT	32	302	334	113	790	903
Richmond	33	239	272	343	541	884
Albermarle Co	34	436	470	317	436	753
Roanoke Co	39	328	367	332	518	850
Campbell Co	41	244	285	411	453	864
Rivana Sewer & Water Auth	43	329	372	396	328	724
Amer Water Serv	48	241	289	131	851	982
Portsmouth	49	350	399	316	581	897
GLTC	54	536	590	295	1,337	1,632
Amherst Co	65	258	323	305	567	872
Altavista	70	280	350	427	518	945
Hurt & Proffit	94	94	187	283	282	565
Wiley & Wilson	148	148	295	393	393	786
Average	36	297	333	354	506	860

PAID TIME OFF PRACTICES					
FY2005					
Annual Pay and Benefits Study					
City of Lynchburg Human Resources Department					
Respondent	Annual Vacation*	Annual Sick Leave	Holidays	Funeral	Comments
Lynchburg	12 days	12 days	12	3/5	includes 2 Personal Days (floating holidays)
Martinsville	12 days	12 days	12	3	
Campbell Co	96 hours	96 hours	12		
Amer Water Serv	0	10 days	7	3	
Winchester	12 days	12 days	13	3	includes 6 floating holidays
CCUSA	10 days	as needed	11	5	
Albermarle Co	sick leave amount + 25%	monthly accrual same as hours worked in one day	12	0	
CVTC	4 hrs accrued semi-monthly	8 days	12	4	5 after 10 yrs service; can be used for Family & Pers Leave
Presbyterian Home	192 hours	0	0	3	
VDOT	12 days	8 days	12	4	5 after 10 yrs service; can be used for Family & Pers Leave
Amherst Co	5 days (>6 months)	10 days (> 6 months)	12	3	
Roanoke Co	15 days	12 days	11	3	must use sick leave for bereavement
Staunton	144 hours paid time off bank		10	3	
Rivana Sewer & Water Aut	12 days	12 days	12	3	must use sick leave for bereavement
Richmond	12 days	12 days	12	3	includes 1 floating holiday
Hurt & Proffit	no response				
Fredericksburg	10 days	12 days	12	3	
Portsmouth	9.4 days	8 days	10.5	3	
Bedford City	no response		11	3	can also use 2 additional sick days for bereavement
Altavista	10 days	120 hours	10	3	
Henrico Co	4 days	4 days per pay period	12.5	3	includes 2 floating holidays
GLTC	5 days	STD from first day @ 50% of pay	8	3	salaried get 3 additional holidays
Town of Amherst	12 days	12 days	11	0	must use sick leave for bereavement
Wiley & Wilson	10 days	3 months	8		funeral as needed
Blue Ridge Regional Jail	12 days	12 days	13	3	
Bedford Co	12 days	12 days	12	3	
*Vacation reflected for first year of employment - amount typically increases with years of service					